



# ARIZONA STATE RETIREMENT SYSTEM

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*Paul Matson  
Director*

## MINUTES PUBLIC MEETING ARIZONA STATE RETIREMENT SYSTEM BOARD

**Friday, October 21, 2011  
8:30 A.M., MST**

The Arizona State Retirement System (ASRS) Board met in the 10<sup>th</sup> Floor Board Room, 3300 N. Central Avenue, Phoenix, Arizona. Mr. David Byers, Chair of the ASRS Board, called the meeting to order at 8:30 A.M., MST.

The meeting was teleconferenced to the ASRS office at 7660 E. Broadway, Tucson, Arizona 85710.

### **1. Call to Order; Roll Call; Opening Remarks**

Present: Mr. David Byers, Chair  
Mr. Tom Manos, Vice-chair  
Mr. Chris Harris  
Professor Dennis Hoffman  
Mr. Kevin McCarthy  
Mr. Larry Trachtenberg (arrived at 8:36 A.M.)  
Mr. Steve Zeman

Absent: Mr. Tom Connelly  
Mr. Michael Townsend

A quorum was present for the purpose of conducting business.

Mr. David Byers, Chair, said some agenda items would be covered in a different order to ensure a quorum for items requiring a motion and the Trustees' vote.

### **2. Presentation Regarding PRIDE Award for Diversity**

Mr. Paul Matson, Director, and Mr. Anthony Guarino, Deputy Director and Chief Operations Officer, recognized the following nominees for the PRIDE Diversity award: Tammy Wilson, Nancy Bennett, Ted Kistner, and the Human Resource Team (Frida Zilberman, Tracy Darmer, Neal Park, and Jana George).

The nominees were recognized by their peers as exemplifying the following PRIDE qualities of diversity:

- An attitude of openness to encourage a free flow of ideas and opinions
- Working effectively to accomplish goals with teams comprised of dissimilar individuals or groups
- Recognizing and promoting new skills in others attained on and off the job to achieve desirable results
- Treating others different from you with dignity and respect

Mr. Matson presented the PRIDE Award for Diversity to the award winners, Tammy Wilson and Nancy Bennett.

### **3. Presentation Regarding Government Finance Officers Association (GFOA) Award**

Mr. Matson stated the ASRS received the Government Finance Officers Association (GFOA) Award for excellence in financial reporting for the June 30, 2010, Comprehensive Annual Financial Report (CAFR). Mr. Matson noted this is the twenty-second year in a row the ASRS has received the award. A Certificate of Achievement is presented by the GFOA to those government units whose annual financial reports are judged to adhere to program standards and represents the highest award in government financial reporting. Mr. Matson thanked Ms. Nancy Bennett, Chief Financial Officer, for her efforts in completing the CAFR, as well as the following staff who had a substantial part in the ASRS receiving the award: Lupita Breland, Eric Glass, John Doran, Rochelle Witharana, John Maczko, Julie Walker, Tonia Nemecek, Lorin Rhue, Liz Rozzell, Nikki Caprara, Debbie Motta, Pam Vozza, Lesli Sorenson, and Brian Crockett.

### **4. Approval of the Minutes of the September 9, 2011 Public Meeting of the ASRS Board**

Mr. Larry Trachtenberg arrived.

**Motion:** Professor Dennis Hoffman moved to approve the minutes of the September 9, 2011 Public Meeting of the ASRS Board. Mr. Chris Harris seconded the motion.

By a vote of 7 in favor, 0 opposed, 0 abstentions, and 2 excused, the motion was approved.

### **5. Approval, Modification, or Rejection of Recommended Administrative Law Judge's Decision Regarding Mr. William McGonigle and Mr. Dan Davis' Appeals**

Ms. Jothi Beljan, Assistant Attorney General, addressed the Board regarding Mr. William McGonigle's and Mr. Dan Davis' appeals. The Administrative Law Judge's ruling upheld the Director's determination that Mr. McGonigle's and Mr. Davis' positions as City of Glendale Fire Battalion Chiefs are ineligible for ASRS membership. Ms. Beljan noted that should the Board chose to modify or reject a finding of fact, they must first read the entire transcript per Arizona Case Law. She explained Mr. McGonigle and Mr. Davis are litigating two counts: negligent administration/representation by the ASRS, and promissory estoppel, meaning, although there may not otherwise be an enforceable contract, because they relied on the alleged representation by the ASRS they were eligible for ASRS membership, it would be unfair not to enforce the agreement.

Ms. Beljan reviewed the facts of the case:

- Pursuant to statute, ASRS membership eligibility requires that a position be covered under the State of Arizona or participating political subdivision's Social Security Section 218 Agreement to provide for federal old age survivor's insurance, i.e. Social Security retirement benefits. Section 218 Agreements are voluntary agreements between the Commissioner of Social Security and state or local governments for coverage of state and local employees for Social Security benefits.
- Social Security Section 218 Agreements exclude positions that were covered under a mandatory public retirement system at the time a state or political subdivision sign their Section 218 Agreement unless the state or political subdivision amends its Section 218 Agreement to extend coverage to that class of positions.

- The City of Glendale signed its Section 218 Agreement in April 1951. All fire personnel positions were excluded from the City of Glendale's 218 Agreement coverage because fire personnel positions were covered by a mandatory public retirement system, the Firemen's Relief and Pension Fund of 1929. The Firemen's Relief and Pension Fund was absorbed by the Arizona Public Safety Personnel Retirement System (PSPRS) upon its creation in 1968. However, the Firemen's Relief and Pension Fund history is still utilized in any Social Security Section 218 coverage analysis regarding eligible fire personnel in Arizona.

Ms. Beljan noted, therefore, no firemen are allowed to participate in the ASRS. She emphasized the ASRS educates employers about this because it relates to membership. She pointed out samples of such materials provided to employers.

- The City of Glendale hired Mr. Davis in May 2006, and Mr. McGonigle in May 2007, as Fire Battalion Chiefs. Mr. McGonigle and Mr. Davis began their positions with City of Glendale after retiring from the Arizona Public Safety Retirement System. Without the knowledge or involvement of the ASRS, the City of Glendale represented to Mr. McGonigle and Mr. Davis that they would be enrolled in the ASRS.
- The City of Glendale began remitting contributions on behalf of Mr. McGonigle and Mr. Davis to the ASRS despite ASRS Employer Relations presentations, newsletters, and email communications that Section 218 Agreement coverage interpretation was complicated and frequently excluded fire personnel positions.
- The ASRS relies on its participating employers to correctly identify which of their employees is eligible for ASRS membership. The ASRS receives contributions on public employees with only the employee's name and the participating employer's name, but the ASRS does not record nor frequently receive the employee's job title.
- In October 2008, the ASRS learned that the City of Glendale was improperly contributing to the ASRS on behalf of its Fire Battalion Chiefs William McGonigle and Dan Davis and contacted the City of Glendale Human Resources to review and correct the issue.
- In October 2009, the ASRS returned all contributions to the City of Glendale and cancelled Mr. McGonigle's and Mr. Davis' ASRS accounts pursuant to A.R.S. § 38-765, which requires the ASRS to correct account errors.
- In his Recommended Decision dated September 27, 2011, Administrative Law Judge Brian Tully upheld the ASRS determination that Mr. McGonigle and Mr. Davis are ineligible for ASRS membership based on the exclusion of their positions from Social Security Section 218 coverage.

The Recommended Decision, Finding of Fact No. 10 stated, "There is no credible evidence that ASRS negligently misrepresented to either the City of Glendale or Appellants that Appellants were eligible for ASRS membership benefits." Ms. Beljan argued that a reasonable person would have contacted the ASRS for a written determination prior to enrollment to confirm whether they were eligible to receive ASRS benefits.

- The process for the determination as to the eligibility (reclassification) of any fire personnel position should have been to address the exclusion of the City of Glendale fire personnel from the Section 218 coverage to the regional Social Security office in Richmond, California, subsequent to a request for a determination from the State Social Security Administrator.

Mr. Thomas Griffin, Counsel for Mr. McGonigle and Mr. Davis, argued they admit they are not eligible to receive benefits but seek retroactive membership in the ASRS, and if that is not possible, they seek monetary damage. Mr. Griffin argued Mr. McGonigle asserts he spoke to

ASRS staff on the phone three times and was told that Mr. McGonigle was eligible for ASRS membership.

Trustees questioned Mr. Griffin and ASRS staff regarding their records and memory of what representations were made. Staff has records of emails sent in 2008, 2009, and 2010, to the City of Glendale Human Resources offering to meet with them and Mr. McGonigle and Mr. Davis, but there was no response, so no meeting occurred.

Ms. Beljan reminded the Board should they chose to modify or reject a finding of fact, they must first read the entire transcript and exhibits. Mr. Griffin offered to provide the transcript, which was over 200 pages in length. Mr. Byers noted due to schedules it was not practical to do so today, which would be preferred. Some trustees felt obligated to take more time to review the appeal. Others felt the ASRS had set up the process of appeals going before an Administrative Law Judge for good reason, therefore the Board should not be burdened with retrying appeals.

**Motion:** Mr. Kevin McCarthy moved to accept the ruling of the Administrative Law Judge. Professor Dennis Hoffman seconded the motion.

By a vote of 5 in favor, 2 opposed, 0 abstentions, and 2 excused, the motion was approved.

## **6. Presentation, Discussion and Appropriate Action Regarding the ASRS Internal Audit Division Biennial Audit Plan for Fiscal Years Ending 2012 and 2013**

Mr. Bernard Glick, Chief Internal Auditor, reviewed the proposed ASRS Internal Audit Division (IAD) Biennial Audit Plan for Fiscal Years Ending 2012 and 2013, as developed under the oversight of and approved by the Operations Committee (OC). Mr. Glick said the IAD has prepared a Biennial Audit Plan for the agency, which proposes the auditable activities for the period July 1, 2011 through June 30, 2013. He explained the Plan is based on a Risk Assessment conducted by ASRS executive and senior managers, under the oversight of the OC, and in collaboration with the IAD.

Mr. Glick noted the total hours available to perform audits or audit-related work will be 7,500 for both years of the plan. He said, although this is a biennial plan, the OC reserves the right to re-evaluate the plan and recommend changes to the Board at the end of the first fiscal year (2012) or another prudent time. Mr. Glick said the IAD will report to the OC quarterly on the status of the Audit Plan. The quarterly report will contain the budgeted and actual hours for each audit assigned.

**Motion:** Professor Dennis Hoffman moved to approve the Biennial Audit Plan for FY 2012 and 2013. Mr. Steve Zeman seconded the motion.

By a vote of 7 in favor, 0 opposed, 0 abstentions, and 2 excused, the motion was approved.

## **7. Presentation, Discussion and Appropriate Action Regarding the ASRS Real Estate Strategic Plan Revisions**

Mr. Gary Dokes, Chief Investment Officer, and Mr. Karl Polen, Portfolio Manager of Private Markets addressed the Board regarding proposed revisions to the Real Estate Investment Program Strategic Plan. For the past seven months, ASRS staff has been reviewing the real estate program implementation and performance. In the course of this review, staff has engaged in a series of collaborative meetings among itself, trustees, consultants and industry participants to gain a variety of perspectives on real estate.

Mr. Polen summarized the review process, noting the Townsend Group has reviewed the revised plan and has concluded it is appropriate and concurs in its adoption, and the Investment Committee recommends to the Board the adoption of the Real Estate Investment Program Strategic Plan as presented. A discussion ensued regarding the real estate program performance and the how proposed changes could eventually affect performance. Mr. Harris noted the benefits of the proposed changes as well as the possible risks.

Mr. Polen said the current program has been heavily weighted towards non-core strategies implemented in closed-end fund structures. He explained a consensus evolved that long term goals should be established for the portfolio structure on a ten-year horizon. Mr. Polen stated the ten year target portfolio would focus more on core strategies and value add structures. Mr. Dokes noted if no changes are made, non-positive performance is more likely.

Mr. Chris Harris suggested, under "Duties of the Consultant" in the proposed Plan, changing "Private Markets Committee" to "Plan" or "the Board" to more accurately reflect the responsible fiduciary. Mr. Harris also suggested under "Duties of the IMD RE Staff," changing "manager selection" to "manager identification" since the Private Markets Committee performs manager selection.

**Motion:** Mr. Larry Trachtenberg moved to approve the ASRS Real Estate Investment Program Strategic Plan, dated October 21, 2011, including revisions as discussed. Mr. Chris Harris seconded the motion.

By a vote of 7 in favor, 0 opposed, 0 abstentions, and 2 excused, the motion was approved.

## **8. Presentation, Discussion and Appropriate Action Regarding the 2012 Legislative Session**

Mr. Pat Klein, Assistant Director, External Affairs, addressed the Board regarding the 2012 Legislative Session. During the summer, the External Affairs Division (EAD) received legislative suggestions from ASRS staff concerning plan design issues; plan inefficiencies, inconsistencies, and inequities; administrative concerns; and others. The EAD has researched and discussed each suggestion in conjunction with Trustees, Executive Management, and other internal staff. Mr. Klein provided an overview of the following 2012 legislative initiatives the External Affairs Committee decided to move forward:

### **ADMINISTRATION**

#### **Accounts Receivable**

Issue/Suggestion: The ASRS has approximately \$5 million in benefit overpayments that it is attempting to collect, but the success rate for collecting from members and beneficiaries who do not have a benefit payment due from the ASRS is very low. Staff suggests seeking new authority to engage in additional collection efforts.

Recommendation: Move Forward.

Position: Support.

#### **Method of Payments and Collections**

Issue/Suggestion: Permit the ASRS to determine the method of making disbursements and collecting receipts.

Recommendation: Move Forward

Position: Support

### **Member Statements**

Issue/Suggestion: Clarify that an annual member statement may be furnished electronically.

Recommendation: Move Forward

Position: Support

### **2011 Revisions/Clarifications**

Issue/Suggestion: Continue to review 2011 legislation for potential revision.

Recommendation: Move Forward as needed

Position: Support as appropriate

### **DISTRIBUTIONS**

#### **Survivor Benefits – Employer Contributions Not Withheld Monies**

Issue/Suggestion: Clarify that the ASRS will not pay the Employer portion of a Contributions Not Withheld (CNW) payment as a forfeiture or a non-retired survivor benefit if the member has not paid their portion.

Recommendation: Move Forward

Position: Support

#### **Eliminate the Level Income Alternative**

Issue/Suggestion: The level income alternative was developed to be actuarially neutral, but allows for some selection bias based upon an individual member's longevity expectation. Further, the ASRS incurs administrative costs to provide this option for a small population of retirees (22 of 9,360 retirees in FY10), and the members have a hard time understanding the financial impact to their benefit at age 62. It has also been brought up that social security benefits are not a part of the State Pension Fund (ASRS) and advancing funds for another entity in which members are not yet entitled should not be an ASRS obligation. Staff recommends eliminating this option for new retirements after July 1, 2013.

Recommendation: Move Forward

Position: Support

#### **Community Property Clarification**

Issue/Suggestion: Currently, ASRS statutes and the state's community property statutes are in conflict. On one hand, ASRS statutes allow members the freedom to elect a beneficiary of their choosing and to elect a straight life annuity instead of a joint and survivor annuity. On the other, community property statutes generally state that all property acquired during a marriage is community property. This suggestion proposes to clarify the applicability of community property statutes to ASRS benefits. Potential options include:

- Establishing a new spousal consent procedure
- Clarifying that ASRS benefits are not community property

Recommendation: Move Forward

Position: Neutral

### **EMPLOYERS**

#### **Employer Withdrawal Liability and Methodology**

Issue/Suggestion: This suggestion has four primary components:

1. Establish that liabilities should be allocated to an employer who withdraws from the ASRS, without expressly permitting employers to withdraw.
2. Establish the liability methodology in statute.

3. Define "Employer" for the purposes of establishing the liability in #1.
4. Permit the ASRS to determine appropriate payment options.

Recommendation: Move Forward  
Position: Support

## **HEALTH INSURANCE**

### **Eliminate Health Benefit Supplement Payments to future Retirees in "Active" Insurance Plans**

Issue/Suggestion: Stop paying the Health Benefit Supplement (HBS) to retirees who are covered under an ASRS Employer's "active employee" (subsidized) insurance plan, either as the insured or as a dependent. A plan that utilizes "blended" rates, where plan costs for active members and retirees are generally averaged together, but where the retiree pays the full premium, would not exclude the HBS payment to the retiree. Apply to new retirees after July 1, 2012 (would apply to current employees who have not yet retired).

Recommendation: Move Forward  
Position: Neutral, since this could be a benefit modification

## **INVESTMENTS**

### **Modernize Investment Statutes**

Issue/Suggestion: Staff performed a comprehensive review of the statutes governing ASRS' investments and recommends repealing the existing statutes (A.R.S. §§ 38-718 and 38-719) and replacing with a new modernized statute.

Recommendation: Move Forward  
Position: Support

## **LONG TERM DISABILITY**

### **Objective Medical Evidence**

Issue/Suggestion: Require claims to be supported by "Objective Medical Evidence." Define Objective Medical Evidence as evidence that establishes facts and conditions, as perceived without distortion by personal feelings, prejudices or interpretations, and shall include x-rays, quantitative tests, laboratory findings, data, records, reports from the attending physician, and reports from a consulting physician, when appropriate.

Recommendation: Move Forward  
Position: Support

### **Cap Disability Earnings**

Issue/Suggestion: Cap disability earnings at 100% of the member's pre-disability salary (the salary the ASRS used in determining benefits) for new disabilities after July 1, 2012.

Recommendation: Move Forward  
Position: Neutral, since this could be a benefit modification

## **SERVICE PURCHASE**

### **Eliminate Inactive Member Leave of Absence Purchases**

Issue/Suggestion: Eliminate the ability of an inactive member to initiate a Leave of Absence (LOA) service purchase, unless the person could not resume employment because of non-availability of the position.

[Note: Members who are disabled are not considered inactive and could purchase the LOA time.]

Recommendation: Move Forward  
Position: Support

**Clarify Stipend or Per Diem Service is Not Other Public Service**

Issue/Suggestion: Clarify that a member cannot purchase time for which they are compensated solely or primarily by stipend or a per diem rate.

Recommendation: Move Forward  
Position: Support

**Revise Military Purchases to Conform with Federal Law**

Issue/Suggestion: Changes made in 2011 prevent a member from purchasing military service if the member is eligible for a military retirement for the same service. This requirement violates Federal law with respect to members of the military reserve. Recommend revising the statute to conform with Federal law for reserve service.

Recommendation: Move Forward  
Position: Support

**Motion:** Mr. Chris Harris moved to approve the 2012 legislative initiatives presented by staff, and support all initiatives except as noted in which case the ASRS will be neutral, and permit staff to make all language changes and negotiate as necessary to obtain the most effective and efficient legislative provisions within the construct of today's discussion. Mr. Steve Zeman seconded the motion.

By a vote of 7 in favor, 0 opposed, 0 abstentions, and 2 excused, the motion was approved.

Mr. Klein summarized other proposed legislative initiatives not proposed by the ASRS, but that may impact the ASRS.

**9. Presentation, Discussion and Appropriate Action Regarding the ASRS Strategic Plan Performance Report for Fiscal Year 2011**

Mr. Guarino, Deputy Director and Chief Operations Officer, introduced the topic. Ms. Sara Orozco, Strategic Planning Manager, addressed the Board summarizing the agency's performance against the various expectations outlined in the current Strategic Plan. The time horizon for meeting the goals and objectives outlined in the current plan is set at three years: July 1, 2010 – June 30, 2012.

Ms. Orozco explained the ASRS vision is to be a leading state benefit plan administrator in the areas of:

- Core member services
- Funded status
- Investment performance
- Operational effectiveness

Ms. Orozco noted these strategic aims are to be accomplished while keeping program benefits and associated costs relatively aligned and maintaining actuarial and fiscal integrity. She said an examination of relevant data indicates the ASRS has done well, providing the following examples:

1. The ASRS continues to meet or exceed most of its established service objectives, with 88 percent of its measured objectives marked as achieved in FY11. Members likewise



continue to express overall satisfaction with the service provided by ASRS staff.

2. The funded status of the ASRS defined benefit plan is similar to other large public pension plans. The funded status of the ASRS health insurance program is currently higher than any other program in the country.
3. Investment performance has met its long-term benchmark to meet or exceed the actuarial rate of return of 8 percent. The ASRS has met or exceeded this one-year benchmark in 20 of the past 30 years, although the fund is still underfunded.
4. An international pension administration benchmarking firm has compared the ASRS data to a peer group of comparable size and found that the ASRS provides high levels of service at a cost that is below the average of its peer group.
5. The ASRS continues to take a leadership role in identifying issues related to ASRS benefits and programs and suggesting possible alternatives for policymakers to consider. Changes implemented to date are expected to reduce long-term liabilities by \$5 billion or more.
6. Constitutional protections are in place to ensure that sound actuarial practices are utilized, required contributions are made, and that member benefits are protected.

Ms. Orozco noted over the three-year period, however, service demand has increased 20 percent or more in each of the disbursement and member contact areas. During that time, staffing levels in member and financial services decreased slightly. Despite these factors, the agency continued to meet a majority of its member service objectives. She said although several of the agency's key timeliness objectives (call center wait times, service purchase invoices) were not routinely met, members remained satisfied with ASRS service delivery. The ASRS routinely meets its member satisfaction targets in nearly all areas. In the few areas where the targets have been missed, they were narrowly missed. Trustees commented staff are to be commended for this.

Ms. Orozco summarized some of the strategic initiatives completed in FY11 to decrease costs, expand service, or make the agency more efficient:

- Remittance Advice Elimination
- Debit Card Implementation
- Online Enrollment
- Refund Smart Form
- More Registered Members
- Webcasts
- Secure Email
- Instant Messaging

Mr. Tom Manos departed the meeting at 11:09 A.M.

Ms. Orozco outlined the following initiatives scheduled to be implemented in FY12, the last year of the current strategic plan:

- Online Retirement
- Mass Email
- Online Meeting Scheduling
- Development of an Enhanced Online Member Statement that will Replace the Paper Member Statement for Active Members
- Additional Webcasts
- Additional Webinars
- Implementation of Plan Design Legislation
- Implementation of the Alternate Contribution Rate

Ms. Orozco stated in FY12 staff will begin the process of developing a new Strategic Plan and corresponding strategic initiatives for the next three-year period (FY2013 – FY2015).

#### **10. Presentation, Discussion and Appropriate Action Regarding the ASRS Total Fund Performance Review for the Period Ending June 30, 2011**

Mr. Dokes; Mr. David Underwood, Assistant Chief Investment Officer; and Mr. Allan Martin, Partner, NEPC, addressed the Board regarding the Total Fund Performance Overview for the period ending June 30, 2011, highlighting specific areas of interest and concern.

Mr. Kevin McCarthy departed the meeting at 11:40 A.M.

The Total Fund Performance for the period ending June 30, 2011 is:

	Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception (6/30/75)
Total Fund	1.0%	<b>24.6%</b>	<b>5.2%</b>	4.8%	5.2%	10.0%
Interim SAA Policy	1.0%	<b>24.4%</b>	<b>4.4%</b>	5.0%	4.9%	9.8%
Excess Return	0.0%	<b>0.2%</b>	<b>0.8%</b>	<b>-0.2%</b>	0.3%	0.2%

\*Interim SAA Policy: 32% S&P 500, 7% S&P 400, 7% S&P 600, 13% MSCI EAFE, 2% MSCI EAFE Small Cap, 3% MSCI Emerging Markets, 24% Barclays Capital Aggregate, 2% Barclays Capital High Yield, 4% NCREIF ODCE (lagged one quarter), 3% Russell 2000 (lagged one quarter), 3% Dow Jones/UBS Commodities Index.

Note: Interim SAA Policy includes a proration of 2% Real Estate and 4% Private Equity, which are unfunded. Real Estate was prorated to domestic equity, international equity and fixed income, while Private Equity was prorated to domestic equity.

#### **11. Presentation, Discussion and Appropriate Action Regarding the Fixed Income Program Review**

Mr. Martin, Mr. Dokes, and Mr. Al Alaimo, Fixed Income Portfolio Manager, addressed the Board regarding the fixed income program review. As of June 30, 2011, the market value of the ASRS Fixed Income program was approximately \$5.0 billion or 18% of total assets. The ASRS fixed income asset class has historically achieved net investment results greater than those of its benchmark. Fixed income assets are managed in core and high yield bond strategies.

As of June 30, 2011, the market value of the ASRS public opportunistic manager(s) assets was approximately \$1.2 billion or 4% of total assets. Public opportunistic investments are managed in closed end funds and separately managed portfolios consisting primarily of fixed income strategies, and are viewed in that context.

#### **12. Presentation, Discussion and Appropriate Action Regarding the ASRS Global Tactical Asset Allocation (GTAA) Program Review**

Mr. Dokes, Mr. Underwood, and Mr. Tim McCusker, Partner, Director of Traditional Research, NEPC, addressed the Board regarding the ASRS GTAA program. The program began in 2003, and is designed to provide a systematic framework for making macro-economic tactical

investments in the broad economic, or “beta,” asset classes in which the ASRS invests. GTAA is viewed, as an “alpha generator” program whose returns, in aggregate, should provide long-term returns in excess of ASRS Strategic Asset Allocation Policy returns.

As of June 30, 2011, the total market value of the ASRS GTAA program is approximately \$2.9 billion or 10.4% of total assets. The GTAA program policy target/range is 10% ± 2%.

### **13. Director’s Report**

Mr. Matson presented the Director’s Report. He had no comments and there was no discussion.

### **14. Presentation and Discussion with Respect to Informational Updates from the Operations Committee, Investment Committee, and External Affairs Committee**

Mr. Pat Klein said the next External Affairs Committee meeting will take place November 4, 2011.

Mr. Chris Harris said the next Investment Committee meeting will take place November 14, 2011.

Mr. Steve Zeman, Chair, Operations Committee (OC), said the next OC meeting will take place October 27, 2011.

### **15. New Agenda Items**

No requests were made.

### **16. Call to the Public**

No members of the public requested to speak.

### **17. The next ASRS Board meeting is scheduled for Friday, November 19, 2010, at 8:30 A.M., at 3300 N. Central Avenue, 10<sup>th</sup> Floor Board room, Phoenix, Arizona.**

### **18. Adjournment of the ASRS Board**

Mr. Byers adjourned the Board meeting at 12:52 P.M.

ARIZONA STATE RETIREMENT SYSTEM

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Lisa Maddox  
Board Secretary

Date

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Paul Matson  
Director

Date